Franchise Tax Board

ANALYSIS OF AMENDED BILL

Author:	Calderon	Analyst:	Matthew Cooling	Bill Number:	ACA 6
Related Bills:	See Legislative History	Telephone:	845-5983	Amended Date:	April 20, 2009
		Attorney:	Patrick Kusiak	Sponsor:	

SUBJECT: Tax Expenditures/Operative Period

SUMMARY

This measure would limit new tax expenditures, as defined, to a seven year operative period.

SUMMARY OF AMENDMENTS

The April 20, 2009, amendments deleted the Voter Choice Act provisions that would have allowed voters to vote for a candidate regardless of party affiliation. The amendments added language related to tax expenditures, as specified.

This is the department's first analysis of this bill.

PURPOSE OF THE BILL

It appears that the intent of this measure is to provide regular legislative review of the effectiveness of an expenditure.

EFFECTIVE/OPERATIVE DATE

As a constitutional amendment, this measure would become effective and operative the day following approval by the voters in the next general election following approval of the measure by the Legislature.

POSITION

Pending.

ANALYSIS

FEDERAL/STATE LAW

Existing state and federal laws provide various tax credits, deductions, exemptions, exclusions and other tax benefits designed to provide tax relief for taxpayers who incur certain expenses (e.g., child adoption) or to influence behavior, including business practices and decisions (e.g., research credits or economic development area hiring credits). These benefits generally are designed to provide incentives for taxpayers to perform various actions or activities that they may not otherwise undertake.

Board Position:			Department Director	Date
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THIS MEASURE

This measure would amend the constitution to limit the operative period of any legislative measure enacted on or after the effective date of the amendment that creates a new or extends the operation of an existing tax expenditure, to no more than seven years.

This measure would define "tax expenditure" as a credit, deduction, exclusion, exemption, or any other tax benefit provided by statute.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not significantly impact the department's programs and operations.

LEGISLATIVE HISTORY

AB 831 (Parra, 2007/2008) would have required any legislative measure creating a new tax expenditure or extending the operation of an existing tax expenditure to include a repeal of the expenditure in a manner that reflects the needs and conditions of the proposed expenditure. This bill failed to pass out of the Senate Revenue and Taxation Committee.

OTHER STATES' INFORMATION

The states surveyed include *Florida, Illinois, Massachusetts, Michigan, Minnesota,* and *New York.* These states were selected due to their similarities to California's economy, business entity types, and tax laws.

Review of these states' laws found no comparable limitation to the one proposed by this measure.

FISCAL IMPACT

This bill would not impact the department's costs.

ECONOMIC IMPACT

Revenue Discussion

This proposal would not have any revenue effect because it does not alter any current provisions of tax law.

This proposal would place constraints on potential future changes to tax law. The effects of this proposal would be incorporated into the revenue estimates for future proposals to add tax expenditures, but cannot be estimated at this time.

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